GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:802
ANSWERED ON:21.11.2016
Ranking on Ease of Doing Business
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether expressing disappointment at India"s rank remaining low in terms of "ease of doing business", the Union Government has felt that the efforts and reforms undertaken by the Union Government as well as the States have not been adequately captured in the ranking released by the World Bank;

(b) if so, the details of bottlenecks that came to the notice of the Union Government in this regard;

(c) whether the Union Government proposes to work with renewed focus and speed to improve India"s ranking in ease of doing business; and

(d) if so, the details thereof along with the response of the State Government in this regard?

Answer

???????? ??? ?????? ???????????? (????????? ??????)(??????? ??????? ???????)
THE MINISTER OF STATE (INDEPENDENT CHARGE)
OF THE MINISTRY OF COMMERCE & INDUSTRY
(SHRIMATI NIRMALA SITHARAMAN)

(a)& (b): India ranks 130th in the World Bank's annual Doing Business Report (DBR) 2017 as against 131st rank (Revised) in the Doing Business Report 2016. The Doing Business Report ranks countries on the basis of Distance to Frontier, an absolute score that measures the gap between India and the global best practice on 10 specified indicators.

Despite several rounds of follow up with World Bank and providing system logs, circulars, notifications and legal evidence some of the reforms were not recognized by the World Bank. These are as follows:

i . Enactment of the Insolvency and Bankruptcy Code which has transformed India's corporate insolvency landscape by replacing outdated laws with a new legal framework. Once implemented, it will improve our rank significantly in resolving insolvency index in next year's ranking.

ii. Introduction of online single window system for building plan approval in Delhi and Mumbai, integrating permission of various agencies. This has reduced time to process and issue building plan approvals from 231 days to 21.85 days on an average in Delhi, and from 147 days to 26.39 days in Mumbai. This reform was not captured in this year because as per the World Bank's methodology majority of users have not used the system.

iii. Introduction and streamlining of INC-29 for company incorporation, which is currently used by 30% of new companies. This reform was not factored in this year because as per the World Bank's methodology more than 50 per cent of users should have used the system in the period 2nd June, 2015 to 1st June, 2016.

iv. The elimination of the requirement of a company seal while applying for government registrations and permissions at the time of setting up of a business. The Companies Act, 2013 was amended in 2015 to make provision for the same but has not been accounted for by the World Bank. The World Bank has observed that, to open a bank account, a company seal was required.

v. Online registration for ESIC and EPFO, which has expedited the time taken to register. This functionality has been made applicable from 1st December, 2015. The World Bank has not accepted the evidence provided in this regard.

vi. Online filing and payment of returns at the Employee's Provident Fund Organization, where the majority of returns and payments are now filed and paid fully online. This reform has not been considered even though it was implemented by EPFO on 5th June, 2015.

vii. Streamlining of name reservation process at Ministry of Corporate Affairs, reducing the time taken to an average of 1.86 days. Private sector practitioners have confirmed to the World Bank that it still takes 2-7 days on average in both Mumbai and Delhi to reserve the company name.

viii. Registration under VAT and Profession Tax has been merged into a single process from 1st January, 2015 by Government of Maharashtra. Incorporation experts confirmed to the World Bank Team that in practice, business founders were still using two separate forms to register for VAT and Professional Tax.

ix. Registration for VAT in Delhi has been made online and is allotted real time and business can start operations immediately on receipt of TIN number. Local experts agreed that in the measured period, the time to register as a VAT taxpayer has not changed.

x. Delhi Pollution Control Committee has removed the requirement of obtaining consent to establish for a non-hazardous warehouse. In practice, all businesses would have a diesel generator set which, though is not a major source of pollution, still requires NOC.

(c) & (d): Yes, the Union Government has already circulated a new set of reforms to Ministries/ Departments and State Government of NCT of Delhi and Maharashtra. For reforms to be recognized by World Bank in the 2018 Report, the Department of Industrial Policy and Promotion has provided the concerned Departments/State Governments target dates for implementation of reforms. World Bank has been supporting us with Doing Business, 2017 country ranking and with Business reform action plan for State ranking on ease of Doing Business.

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